

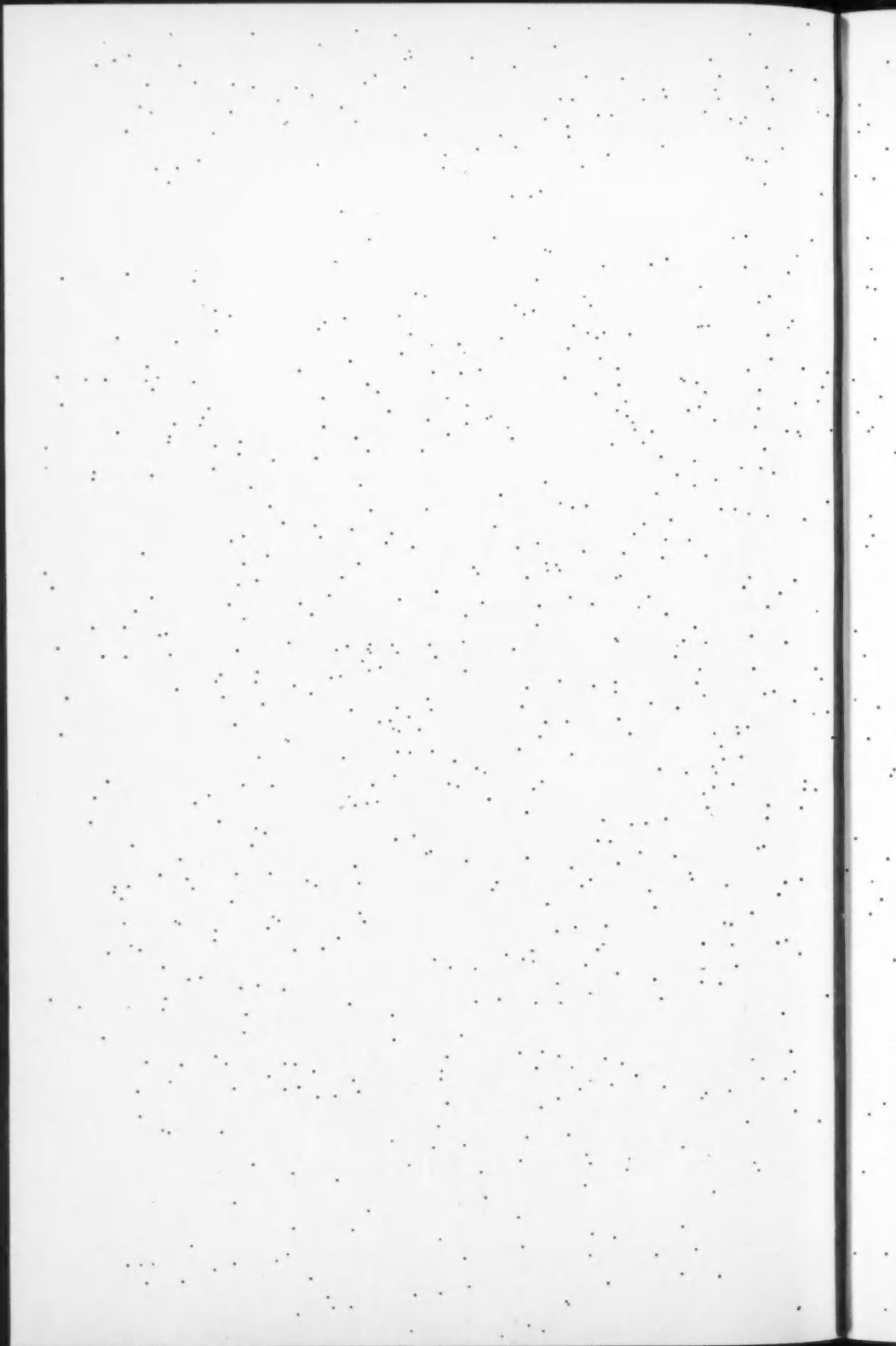
# **C**ARIBBEAN PROBLEMS AND PROSPECTS

by

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## CARIBBEAN PROBLEMS AND PROSPECTS

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**S**HARPLY CONTRASTING political developments in the Caribbean area have made that region on the southeastern doorstep of the United States the object of more than usual attention in this country. Months of unrest in Haiti marked by frequent changes of government interspersed with periods of army control, and repeated armed challenges to the authority of the Batista regime in Cuba, have conformed to Latin American political tradition. Against such events stands the completion of plans to link the British West Indian colonies in a largely self-governing federation.

Whether political events in the Caribbean region follow an old pattern or break new ground, the United States is never a disinterested observer. Strategic and economic considerations compel a close interest in what goes on in the long chain of islands extending clockwise nearly 3,000 miles from Cuba and Jamaica around to Aruba, off the continent of South America. The proximity of this "American Mediterranean" to continental United States and to the Panama Canal makes important the maintenance of friendly and stable governments in the independent countries, colonies, and other political units situated in the area.

To restore order and enforce stability, the United States at one time or another in the past has felt obliged to occupy Cuba, Haiti, and the Dominican Republic.<sup>1</sup> Aid in forestalling enemy control of the Caribbean Sea in World War II, and in guarding against attacks on the Panama Canal, was given by the celebrated destroyers-for-bases deal with Great Britain in 1940; this country thereby acquired sites for bases in Jamaica, Antigua, St. Lucia, and Trinidad. Although the other wartime bases have been put in standby status, the Trinidad installation is kept in operating condition and important American naval and air facilities are

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<sup>1</sup> U.S. forces occupied Cuba from 1898 to 1902 and from 1906 to 1909; Haiti from 1915 to 1934; the Dominican Republic from 1916 to 1924.

maintained also in Cuba and Puerto Rico.<sup>2</sup> Military assistance has been furnished to Cuba, the Dominican Republic, and Haiti.

Conscious that economic discontent breeds political instability, the United States has taken steps at various times to improve material and social conditions in the Caribbean islands. Technical assistance programs have been initiated in Cuba, the Dominican Republic, Haiti, and Jamaica.<sup>3</sup> American private interests have made large investments in parts of the region. Nearly \$800 million has been invested in Cuba alone by U.S. corporations and individuals.

#### YEAR OF POLITICAL TURMOIL AND STRIKES IN HAITI

Inauguration of François Duvalier as President of Haiti on Oct. 22 put in office the ninth government which that troubled country has had since last December. Gen. Paul Eugene Magloire, who left the presidency then, had been elected in 1950 to serve for six years, but the vagueness of the pertinent constitutional provision gave rise to controversy over whether his term of office would end on May 15, 1956, Dec. 6, 1956, or May 15, 1957. Magloire refused to step down on the first date but did quit last December.

The army chief of staff, Gen. Antoine Levelt, immediately announced that "terrorists" were operating throughout Haiti. He therefore asked Magloire to réassume power and serve as commander-in-chief "until the country . . . [had been] returned to peace." When Magloire accepted the "call," a committee of professional men, university students, and intellectuals at once organized a five-day general strike. Magloire was forced out and succeeded on Dec. 12 by the chief justice of Haiti's Supreme Court, Joseph Nemours Pierre-Louis, as provisional president.

Suspensions among several candidates for the presidency that the provisional government was preparing the way for Magloire's return led to another general strike and the ousting of Pierre-Louis on Feb. 3, 1957. Haiti was without a government for five days—the army was in control—until the legislature chose one of the presidential candi-

<sup>2</sup> See "Overseas Bases," *E.R.R.*, Vol. II 1951, pp. 441-442, and "Future of Overseas Bases," *E.R.R.*, Vol. I 1957, p. 66.

<sup>3</sup> Total obligations under the programs for the year ended June 30, 1957, amounted to \$569,000 in Cuba, \$156,000 in the Dominican Republic, \$2,120,000 in Haiti, and \$195,000 in Jamaica. Two-thirds of the Haitian program was shut down, Oct. 4, on failure of the military junta then ruling the island to put up the required counterpart funds.

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### SOVEREIGNTY, SIZE, POPULATION, AND MAJOR INDUSTRIES OF PRINCIPAL CARIBBEAN TERRITORIES

Territory	Area in sq. mi.	Population	Major industry
<i>Independent States</i>			
Cuba	44,206	5,832,277	Sugar
Haiti	10,714	3,111,973	Coffee
Dominican Republic	18,712	2,403,988	Sugar.
<i>U.S. Possessions</i>			
Puerto Rico	3,423	2,210,703	Mnfg.
Virgin Islands	133	26,665	Tourism
<i>British Possessions</i>			
Jamaica	4,411	1,503,047	Sugar
Leeward Islands			
Virgin Islands	67	7,600	Foodstuffs
St. Kitts-Nevis-Anguilla	168	53,600	Sugar
Antigua-Barbuda-Redonda	108	50,900	Sugar
Montserrat	33	14,100	Cotton
Windward Islands			
Dominica	305	61,358	Bananas
St. Lucia	233	86,219	Sugar
St. Vincent	150	75,190	Arrowroot
Grenada	133	85,300	Cacao
Barbados	166	227,550	Sugar
Trinidad-Tobago	1,980	715,600	Oil
<i>French Possessions</i>			
Guadeloupe	688	229,120	Sugar
Martinique	385	239,130	Sugar
<i>Dutch Possessions</i>			
Curacao	173	115,929	Oil
Aruba	70	55,912	Oil

dates, Franck Sylvain, to serve as provisional president pending election of a chief executive in April. Sylvain managed to stay in office nearly two months; he resigned, Apr. 2, in the midst of strikes and street rioting brought on by charges that he was rigging the forthcoming elections in favor of Duvalier.

The army again took over effective direction of the country. A 13-man executive council, chosen by the leading presidential candidates and approved by Gen. Leon Cantave, then army chief of staff, was installed on Apr. 6 to serve as an interim government until elections, by then postponed to July, could be held. The council collapsed toward the end of April, when the three ministers named by Duvalier walked out, but it soon took over again on the strength of a court ruling that it was qualified to act without the Duvalier ministers.

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However, revolts in northern and southwestern Haiti, spearheaded by partisans of Duvalier and of another presidential candidate, Clement Jumelle, prevented the council from establishing its authority. When a general strike, instigated by the two presidential candidates still represented on the council, Louis Dejoie and Daniel Fignole, followed, Gen. Cantave dissolved the council, proclaimed martial law, and on May 21 took charge of the country. The strike nevertheless continued and fighting broke out. Cantave resigned, May 26, and was replaced as chief of staff by Gen. Antoine Kebreau. A new provisional government, headed by Fignole and supported by Duvalier and Jumelle, took office the same day.

A rift which soon developed between Fignole and the army culminated, June 14, in ouster of the provisional president and assumption of power by a three-man military junta headed by Gen. Kebreau. Supporters of Fignole clashed with army troops a few days later and 50 to 60 persons were killed, but the Kebreau regime managed to retain power. It scheduled elections for September. Dejoie and Jumelle charged that the junta was rigging the elections in favor of Duvalier, and Jumelle later withdrew.

When Duvalier won an electoral victory on Sept. 22, Dejoie raised charges of fraud. Another general strike appeared imminent, but the army declared martial law and power was transferred peacefully to the newly elected president a month after the balloting. In the interval relations with the United States were momentarily strained by an incident involving the Haitian-born son of Syrian parents who were naturalized American citizens. After Shibley Talamas had been arrested, Sept. 29, for having possession of firearms in violation of the prevailing martial law, Haitian authorities announced that he had died of a heart attack following a struggle with police officers. However, two American physicians who examined the body concluded otherwise and the State Department, in a harshly worded protest on Oct. 1, called it "murder by beating."

#### ATTEMPTS TO OVERTHROW BATISTA REGIME IN CUBA

Unlike Haiti, Cuba has had only one government during the past year, but it has spent the twelvemonth in a state of tension induced by revolutionary outbursts against the regime of President Fulgencio Batista. Batista, who has dominated the Cuban scene both in and out of office for

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nearly a quarter of a century, began his current tenure five years ago when he overthrew President Carlos Prío Socarras.<sup>4</sup> Ever since then, he has had to contend with mounting opposition from students, military personnel, and political opponents who object to the extra-legal way in which he regained power and to the dictatorial manner in which he has ruled.

A good-sized revolt was attempted on July 26, 1953. Insurgents headed by Fidel Castro, leader of one of the student movements opposed to the Batista regime, attacked army installations at Santiago and Bayamo in Oriente Province at the eastern tip of Cuba. About 100 soldiers and rebels were killed in that uprising, martial law was imposed in Santiago, and constitutional guarantees were suspended throughout the country for 90 days. A group of army officers planned another revolt in April 1956 but were betrayed and imprisoned. Later the same month, a hundred insurgents attacked an army base 60 miles east of Havana but failed to set off a rebellion.

The most recent and most serious campaign to overthrow the Batista regime began last Dec. 2, when Castro and 82 of his followers, who had been training in Mexico, landed in Oriente Province.<sup>5</sup> The band was almost wiped out by government troops, but Castro regrouped the survivors in the nearly impenetrable Sierra Maestra mountain-and-jungle section of Oriente, enlarged his organization, and has been harrying large numbers of government troops ever since.<sup>6</sup> He has said he does not expect to overthrow the Batista regime but hopes to create a "climate of collapse" in which it will fall.

Herbert L. Matthews of the *New York Times*, who interviewed Castro in his Sierra Maestra hide-out in mid-February, reported in that newspaper, Feb. 24, that Castro and his 26th of July Movement were the "flaming symbol" of the "formidable . . . opposition to Gen. Batista" that has

<sup>4</sup> Batista first rose to power in the Sergeants' Revolt of 1933. He ruled Cuba for seven years as the strong man behind a succession of weak presidents. Elected president himself in 1940, Batista governed until 1944 when, constitutionally forbidden to run again, he moved to Florida. Returning to Cuba in 1948, the former president began preparations to run in the 1952 election. With victory at the polls plainly not in sight, he took control of the main army garrison in March 1952 and won over the armed forces. After serving as "chief of state" and provisional president, he got himself elected president in 1954.

<sup>5</sup> Castro was sentenced to 15 years' imprisonment for his part in the 1953 revolt but was amnestied in May 1955.

<sup>6</sup> A 20-year-old American who served eight months with Castro said at a fund-raising rally in New York, Oct. 28, that more than 1,000 men were now fighting with the rebel leader.

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developed in Cuba. Writing from Havana on June 15, Matthews estimated that "at least 90 per cent" of Cuban youth were "actively or emotionally behind Senor Castro." Several additional groups, consisting of students, followers of former President Carlos Prío Socarras, and others are opposed to Batista. Since last December the various opposition groups have subjected Cuban cities to repeated violence. The Batista regime on five occasions has suspended constitutional guarantees for 45-day periods.

Student revolutionaries who may, or may not, have been connected with Castro's movement, made a bloody but unsuccessful attack on the Presidential Palace in Havana last Mar. 13. About 40 students and soldiers were killed and 60 wounded in the fighting. Castro's forces attacked a government garrison at Uvero, about 35 miles northwest of Santiago, late in May and killed and wounded more than two dozen soldiers. Two months later, Castro-led rebels attacked an army outpost in the Santiago area and made off with munitions and supplies.

Some 400 insurrectionists, including navy personnel and maritime police as well as civilian supporters of Castro, attacked the naval station and national police headquarters at Cienfuegos, about 150 miles southeast of Havana, on Sept. 5. That was the first instance this year of defection among members of the Cuban armed forces. Army tanks and planes finally put down the two-day uprising but not before 150 to 250 persons had been killed or wounded. A new wave of scattered shootings, bombings, and acts of sabotage took two dozen lives in Oriente Province toward the end of October.

#### REPERCUSSIONS OF CUBAN UNREST; CURRENT OUTLOOK

After nearly a year of rebel violence and severe government repression, Cuba today is an armed camp, its jails full of prisoners accused of revolutionary activity. The tourist trade has fallen off sharply, and business has suffered. Commercial and industrial interests, which have supported Batista, have begun to manifest concern over the seemingly endless violence.

According to Matthews, dissatisfaction with the Batista regime has a "widespread, popular bourgeois content as well as a youthful and revolutionary one," and a "civic resistance movement of respected citizens in all profes-



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sions" has developed.<sup>7</sup> Recent events have tended to substantiate that view. Two respected public figures, Felipe Pazos, ex-governor of the National Bank, and Raul Chibas, prominent educator now in exile, acknowledged support of Castro last July. And the major groups opposed to Batista, including among others the two chief political parties, the Castro movement, and the university students' federation, in mid-October sought to end factional differences and form a united front by organizing a Council for Cuban Liberation.

At the same time, a good sugar crop and a continuing high level of prosperity have made most Cuban political parties anxious to avoid armed rebellion. They would prefer to try to bring about a change of government through elections. The Council for Cuban Liberation has called for establishment of a provisional government to hold general elections "as quickly as possible." Although Batista previously had expressed doubt that an election could be held before November 1958, he indicated in September that the date would be advanced to June 1958 and that he would not seek re-election.

### FEDERATION OF THE BRITISH COLONIES IN WEST INDIES

While the independent nations of Haiti and Cuba are in the throes of political turmoil, the British colonies in the West Indies are quietly making long strides toward self-government. First elections for the central legislature of a new federation are to be held on Mar. 25, 1958. When the legislature convenes, the federation—to be called simply "The West Indies"—will come into being. It will bring together 13 islands grouped into ten units. Stretching across the Caribbean in a 2,000-mile arc from west to east, they are Jamaica, St. Kitts-Nevis-Anguilla, Antigua, Montserrat, Dominica, St. Lucia, St. Vincent, Barbados, Grenada, and Trinidad-Tobago.

Convening of the federal legislature next spring will mark the realization of an idea discussed since the beginning of the century and actively promoted since World War II. At the urging of the British government, the legislatures of the various West Indian colonies took up the question in 1945 and two years later sent representatives to a conference in Jamaica. A committee was established

<sup>7</sup> Herbert L. Matthews, writing in the *New York Times*, Mar. 14, 1957, p. 3, and in *Foreign Policy Bulletin*, Apr. 1, 1957, p. 111.

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there to work on plans for a federal constitution, a federal judiciary, and the financing of federal services. Detailed proposals submitted in 1949 were discussed for more than two years before they were accepted by the legislatures of the islands now about to federate.<sup>8</sup>

Delegates from the islands met with representatives of the British government in London in 1953 to discuss the proposed constitution. Some modifications were made, but for the most part the original proposals were accepted. After further debate in the local legislatures, commissions were appointed in 1955 to work out the fiscal, judicial, and civil service aspects of the new federal organization. Another conference in London gave final endorsement in February 1956, Parliament approved an enabling act later that year, and an order-in-council embodying the new constitution was issued early in 1957.

The federation's legislative power is to be vested in a legislature consisting of a Governor-General,<sup>9</sup> a House of Representatives, and a Senate. The House will have 45 seats allocated among the islands according to size; Jamaica, the largest, will have 17 seats and Montserrat, the smallest, one seat. The Senate will have 19 members—two from each unit except Montserrat, which will have only one—who will be appointed by the governor-general.

Subjects of legislation are to be divided between exclusive and concurrent lists. The federal legislature will be empowered to make laws on matters on the exclusive list, which is to contain such subjects as immigration, federal elections, federal public services, and certain aspects of defense and foreign affairs. Both the federal and the island legislatures will be authorized to make laws on items on the concurrent list, which is to include such matters as agriculture, banking, communications, etc. The governor-general will be empowered to make laws, with the advice and consent of the Senate and House, on subjects on either list. Certain aspects of legislation dealing with defense, foreign affairs, and currency are reserved to the governor-general.

<sup>8</sup> The proposals were rejected by British Guiana, British Honduras, and the British Virgin Islands. Cheddi Jagan, left-wing leader of the ruling party in British Guiana, said early in October 1957 that his country would stay out of the federation for at least five years.

<sup>9</sup> The first governor-general of the new federation, appointed last May, will be Lord Hailes, who as Patrick Buchan-Hepburn served as Minister of Works in the Eden government.

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Executive power is to be exercised by a Council of State consisting of the prime minister elected by the House; seven ministers from either chamber nominated by the prime minister; and three members of the Senate nominated by the prime minister. Judicial power will be vested in a federal Supreme Court whose justices are to be appointed by the governor-general with the assent of the relevant minister.

British West-Indies leaders agreed last summer that land now occupied by the U.S. naval base near Port of Spain, Trinidad, would afford the best site for the capital of the federation. This country contends, however, that the base is an anchor point in hemisphere defense plans and is needed to give logistic support to fleet movements. It has pointed out, moreover, that it would cost at least \$350 million to build a substitute base. The United States accordingly has rejected pleas to relinquish the land, although it has agreed to give the matter further study.<sup>10</sup>

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### **Age-Old Problems of Caribbean Region**

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THE PROBLEMS of the Caribbean area derive basically from too many people and too much poverty. Most of the islands are staggeringly poor. Per capita income in Puerto Rico, said to be the highest in the Antilles, is estimated at \$486 a year, which is only about half the corresponding figure for Mississippi, which in turn is the lowest for any state in the Union. Per capita income in several of the Caribbean islands is less than \$100 a year.

Most of the islands depend largely on agriculture and usually on only one crop. To compound the problem, the soil is poor—in comparison with European or North American standards—and much of the land is too mountainous to be cultivated. Furthermore, the Caribbean is the spawning ground of hurricanes, which sometimes destroy an entire season's labor. Most Caribbean crops are grown mainly for export because the yield from an acre of an export crop will buy more food than the acre itself could produce.

Sugar is the "mainstay of the economy in many of the

<sup>10</sup> In the meantime, the Air Force is going ahead with erection of a missile-tracking station on the Trinidad base as part of its 5,000-mile South Atlantic testing range.

islands and an important crop in almost all of them." It is "better adapted than any other to the vagaries of West Indian soils and climatic conditions, . . . yields high returns per acre, and . . . recuperates rapidly from storm damage." Moreover, it "offers employment to a large unskilled labor force, thus fulfilling an urgent social need in an area so heavily overpopulated as the West Indies."<sup>11</sup> Sugar accounts for about 90 per cent of the value of all Cuban exports, around 75 per cent of all exports from Barbados, and approximately 60 per cent of St. Vincent's exports. When world sugar prices are high, the "sugar islands" prosper; when prices decline, they suffer.

Even those islands which grow other agricultural commodities for export depend primarily on a single crop. Coffee accounts for approximately two-thirds of the value of Haiti's exports, cacao for five-eighths of Grenada's exports, and cotton for three-fifths of exports from Montserrat. The Caribbean economies not based chiefly or largely on agriculture are few and far between. Aruba and Curacao derive about 98 per cent of their export revenue from refined oil products; Trinidad receives around 75 per cent of its export income from petroleum and asphalt products; the U.S. Virgin Islands depend mainly on tourism.

Tourist business has become an increasingly important source of revenue in the Caribbean territories. Americans alone spent an estimated \$37 million in Cuba, \$26 million in Puerto Rico, and \$4 million in Haiti last year. In Haiti tourism is normally considered the country's second largest money earner. Between 1951 and 1955, latest date for which comparisons are available, the number of visitors to Haiti increased by more than 210 per cent, to the Dominican Republic by about 131 per cent, and to Puerto Rico by nearly 83 per cent.<sup>12</sup> But welcome as are tourist revenues, it is questionable whether tourism alone can provide the answer to basic Caribbean economic problems.

#### OVERPOPULATION AND CONTINUING HIGH BIRTH RATES

Vast overpopulation contributes, along with low levels of economic development and scarcity of natural resources, to the poverty and backwardness of the Caribbean area. More than 17 million persons are crowded into an area

<sup>11</sup> Mary Proudfoot, *Britain and the United States in the Caribbean* (1954), p. 180.

<sup>12</sup> Reinhold F. Wolff and Robert J. Voyles, *Tourist Trends in the Caribbean* (mimeo., April 1956), Table I.

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only slightly larger than the state of Utah, which has only 812,000 inhabitants. Puerto Rico has an estimated population density of 670 persons to the square mile, which is considerably higher than that of Japan or the United Kingdom, both highly industrialized countries. If arable land is taken into account, the congestion on some of the islands appears even more appalling; Barbados is estimated to have close to 2,000 persons to every square mile of cultivable ground.

What is more, the population of the region is increasing at a fantastic rate, a matter of even greater concern than the size of the present population. The Caribbean islands have some of the highest birth rates in the world while, thanks to health measures and improvements in sanitation, their death rates have been declining. Puerto Rico now records about 60,000 more births than deaths annually. St. Lucia has a rate of increase of 21 per thousand, as against 12.5 per thousand for Japan and 11.5 per thousand for India. The economic and demographic problems are complicated further by the fact that the population in most of the islands is predominantly so young that the number of persons in the wealth-producing age group is comparatively small. Moreover, the ratio of women to men is very high, which militates against a high level of productivity in the area.

Prospects for relieving Caribbean population pressures are not favorable. Emigration offers only limited possibilities. Puerto Ricans can go to the United States, and Jamaicans and other West Indians to Britain, but in both cases the immigrants have met with a far from ideal reception and have found assimilation difficult. Cuba and most South American countries, which have room for sizable numbers of immigrants, exclude Negroes.

There seems to be little chance of bettering the situation through birth control. An authority on the Caribbean has observed:

The masses of the rural population, who are mainly responsible for the high birth rate, are almost wholly unaware of the significance of the problem, which does not, for the most part, affect them in a way which they can readily perceive. . . . Families are not exclusive and permanent economic units in the sense that they are in the metropolitan countries. Responsibility for additional children is readily if casually undertaken, and can be as readily shifted if it becomes too burdensome.

"Against this background," the writer concluded, "it is easy enough to find public reasons for birth control, but difficult to provide personal incentives."<sup>13</sup>

CONDITIONS FAVORING REVOLUTION AND DICTATORSHIP

The poverty prevalent in the Caribbean has provided fertile conditions for rebellion and dictatorship. Economic uncertainty leads to political inconstancy, and people dependent on one-crop economies tend to accept extreme panaceas for their troubles when things go wrong. An expert on Caribbean political developments has noted: "The unbelievably low standard of living to which the majority of the Caribbean people have been subjected for the past hundred years . . . has certainly not tended to create a solid citizenry interested in maintaining the *status quo*. The majority . . . have had little to lose in a revolution, but they have had much to gain if promises were kept."<sup>14</sup>

Dexter Perkins of the University of Rochester has directed attention to the fact that the republics of the Caribbean started out as self-governing states on a very low economic level and thus "lacked . . . the economic basis for the development of democratic institutions." In addition, they began their independent existence without the experience in self-government which the British colonies in America had enjoyed. As a result, for both economic and political reasons, "The tendency in the Caribbean was towards the concentration of power in the hands of an oligarchy, at best, and in the hands of a military leader, at worst."<sup>15</sup> Another Latin American tendency, described as *continuismo*, is to keep a relatively satisfactory government in power long past its legal term rather than risk the disorders which might accompany a change.

<sup>13</sup> Mary Proudfoot, *op. cit.*, p. 327.

<sup>14</sup> Charles C. Cumberland, "Bases of Revolutions in the Caribbean," in A. Curtis Wilgus (ed.), *The Caribbean: Its Political Problems* (1956), p. 106.

<sup>15</sup> Dexter Perkins, *The United States and the Caribbean* (1947), p. 83.

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## Programs and Prospects for Improvement

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ATTAINMENT of more democratic government in the independent states of the Caribbean and achievement of self-government in the possessions depends largely on the improvement of economic conditions. The economic level can best be raised, it is generally agreed, through industrialization. A few of the islands have managed to achieve some diversification of their economies.

Jamaica in the past few years has taken a big step away from dependence on agriculture by arranging for exploitation of its vast bauxite deposits, said to comprise the largest known reserve of that metal in the world. Two American companies, Reynolds Metals and Kaiser Corporation, and a Canadian firm, Aluminium Limited, are now engaged in working the Jamaican deposits. About 2.2 million tons of bauxite were mined in 1955, latest date for which such figures are available.

Development of the bauxite industry has had widespread effects on the Jamaican economy. Large capital expenditures have been made to acquire the mineral concessions. Roads, plants, and housing have been constructed. Villages have been transformed into towns. Several thousand persons have been employed, and a large number have been given technical training. Farming methods on lands owned by the mining companies have been improved. Finally, the government of Jamaica has been given huge new revenues.

The Jamaican economy has been diversified also by the opening in recent years of a number of food-processing plants, shoe factories, glass plants, cigar and cigarette factories, and other manufacturing enterprises. In Trinidad more than 50 factories, producing such items as textiles, apparel, clocks, and typewriters, have gone into operation during the present decade. In the Dominican Republic the Gibbs Corporation has built ship-repair facilities, Barium Steel is mining iron ore, and Alcoa expects to start shipping bauxite next year; Canadian interests are making plans to mine nickel ore, and an American group is planning to undertake exploration for oil.

Cuba's principal industry is the manufacture of sugar from cane, but the largest of the Caribbean islands has a



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small mining industry as well—minerals have become its third most valuable export, after sugar and tobacco. Cuba also has a number of modern food-processing, textile, chemical, and cement plants. In addition, there are hundreds of small cottage enterprises in the shoe, cigar, furniture, and apparel industries. It was announced, Oct. 31, that a group of British engineering companies was planning to build in Cuba a shipyard and a fleet of sugar-carrying freighters.

The most ambitious program of industrialization in the Caribbean has been carried out in Puerto Rico. During the postwar period, a food-processing industry has been created, hundreds of clothing and textile factories have been opened, and a growing number of light-industry plants have been established. Recently, larger and more basic industrial developments, such as a chemical plant, a steel mill, and two oil refineries, have been started. As a result of the island's "Operation Bootstrap," income from manufacturing began last year to exceed that from agriculture.

#### GOVERNMENT AID TO INDUSTRIALIZATION IN PUERTO RICO

Puerto Rico's extensive industrialization has come about mainly as the result of the territory's favorable tax position and the island government's activity in promoting economic development. With the strong encouragement of the then U.S. governor, Rexford G. Tugwell, the government in 1942 established the Puerto Rican Industrial Development Co. (PRIDCO) to "acquire, operate, and improve industrial and commercial enterprises." At the same time, a bank was created to supply long-term credit for development purposes. Between 1942 and 1947 PRIDCO built or expanded five plants which it operated itself and constructed 18 factories and one hotel which it leased or sold to private interests.

Puerto Rican officials realized, however, that "The resources of the insular government in themselves would not be sufficient to solve the problems that lay ahead." The government therefore decided to concentrate on encouraging private industry to come to Puerto Rico from the United States.<sup>16</sup> Legislation enacted in 1947 exempted new industries, certain old industries, and tourist facilities from Puerto Rican income taxes, property taxes, and municipal

<sup>16</sup> Teodoro Moscoso, "Industrial Development in Puerto Rico," *Annals of the American Academy of Political and Social Science*, January 1953, pp. 61-62.



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license taxes. Extensive advertising in the United States was undertaken, and elaborate technical services were made available to companies opening plants on the island. An over-all coordinating agency, the Economic Development Administration, was established in 1950.

Activities of *Fomento*, as the development agency is known, have resulted in construction of around 470 new factories in Puerto Rico. More than one-third of a total of \$428 million of overseas money injected into the Puerto Rican economy in the past five years has been invested by private business interests, and a substantial share of the balance has come from sale of island bonds. American companies have been attracted to Puerto Rico not only by the exemption from local taxes and by the technical aid offered by the island government, but also by the fact that profits from operations there are not subject to U.S. income taxes and imports from the island are tariff-free.

As one observer put it: "Puerto Rico's peculiar status as an independent commonwealth voluntarily associated with the United States lets it enjoy the best of both worlds. It is inside the United States tariff wall, but out of reach of her Internal Revenue Service."<sup>17</sup> Teodoro Moscoso, the administrator of *Fomento*, has voiced hope that by 1975 the number of industrial enterprises brought to Puerto Rico will have reached 2,500.

### FEDERATION AS SOLUTION OF PROBLEMS IN BRITISH AREAS

Britain's Caribbean dependencies also provide generous tax concessions and other inducements for new industries. However, the people of the British West Indies are looking for solution of their economic problems mainly to the forthcoming introduction of a new form of government. This is because the West Indians, probably above all else, want self-government. But political independence, to be meaningful, requires substantial economic independence, which can "only be brought about through a carefully planned regional economy"; individually, the small agricultural islands are "not economically viable units."

The peoples of the B.W.I. are deeply dissatisfied with the low standards of living which have so far obtained. . . . Young West Indians yearn for the pleasures and amenities of urban life. These they cannot enjoy without industrialization. But industrialization,

<sup>17</sup> John Fischer, "Mystery Island," *Harper's Magazine*, June 1957, p. 14. See also "Tax Loopholes," *E.R.R.*, Vol. I 1950, pp. 98-99.

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they have come to realize, can only be effectively achieved if the region pools its resources and forms a common market.

Political and economic ambitions thus require that these islands, each so proud of its own separate history, each with its own distinct flavor, different from its neighbors and glorying in this differentness, shall now come together to form one political and economic unit within the Commonwealth.<sup>18</sup>

While the islands have been competing against each other in marketing sugar, rum, fruits, and other products, union in the projected federation will enable them to pool their economic strength on the world market. West Indies exports "represent but a small fraction of world commerce," but the islands "should be able to carry more weight at international commodity and trade-policy conferences when they are represented as a unit."<sup>19</sup>

Economic benefits may come also from free trade within the federation. Organization of a customs union, which is expected to be one of the first undertakings of the new government, should result in creation of new markets, especially for products of the light industries of Jamaica and Trinidad. Federation is expected also to lead to more adequate social welfare programs, unified police and judicial services, and improved inter-island communications.

Even the most enthusiastic supporters of West Indian federation agree that the governmental changes alone cannot solve the islands' long-standing problems. They hope, however, that the political and economic advances growing out of federation will have ameliorating effects. A leading West Indian politician has said: "Federation by itself will not bring prosperity, but federation will enlarge the possibilities of winning that prosperity which we West Indians alone can, and certainly must, create for ourselves."<sup>20</sup>

<sup>18</sup> M.P., "Federation in the British West Indies," *The World Today*, March 1957, p. 114.

<sup>19</sup> Peter M. Stern, John P. Augelli, and David Lowenthal, "British Caribbean Federation," *Focus*, September 1956, p. 6.

<sup>20</sup> Quoted by Sir Alan Burns, "Towards a Caribbean Federation," *Foreign Affairs*, October 1955, p. 140.

